

Message Text

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ACTION EUR-12

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SUBJECT: DAIMLER BENZ REACTION TO REPLY FROM DEPARTMENT
OF ENERGY

REF: BONN 8532

1. SUMMARY. AFTER DELIVERY DEPARTMENT OF ENERGY'S REPLY TO
PROFESSOR ZAHN'S LETTER TO SECRETARY SCHLESINGER CONGEN OFFICERS
WERE INFORMED THAT DAIMLER BENZ PLANS TO ASK FOR GERMAN GOVERNMENT
ASSISTANCE IN RESOLVING ITS DIFFICULTIES WITH AMERICAN REGULATIONS,
AND THAT THE FIRM MAY BE RESIGNED TO NECESSITY OF BUILDING
A SMALLER VEHICLE IN ORDER TO MEET US FLEET MILEAGE REQUIREMENTS.
END SUMMARY.

2. ON AUGUST 1 CONGEN OFFICERS DELIVERED TO DAIMLER BENZ
PRESIDENT PROFESSOR ZAHN LETTER FROM ASSISTANT SECRETARY BERGOLD
AND AMBASSADOR STOESSEL'S COVERING LETTER, BOTH IN RESPONSE TO
ZAHN'S LETTER OF OCTOBER 1977 TO SECRETARY SCHLESINGER ASKING
FOR SOME RELIEF FROM U.S. MILEAGE AND POLLUTION CONTROLS.
PROFESSOR ZAHN DISCUSSED THE REPLY IN THE PRESENCE OF CONGEN
OFFICERS WITH HERR PETER VON MANTEUFFEL, DAIMLER BENZ CENTRAL
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REGULATORY ENGINEERING STAFF. THE EXPRESSED APPRECIATION OF
SECRETARY BERGOLD'S COMMENT THAT DIESEL ENGINES WOULD BE ABLE TO
MEET ANTICIPATED ENVIRONMENTAL RESTRICTIONS THUS REMAINING
COMMERCIALY ATTRACTIVE AND THE LETTER'S CLOSING REFERENCE TO
MECHANISMS FOR CONSIDERING PROBLEMS SHOULD THEY MATERIALIZE.
THEY COMMENTED THAT THESE POINTS PROVIDED SOME ROOM FOR MANEUVER
IN MEETING A SERIOUS PROBLEM. ALTHOUGH THE LAW AND THE LETTER

LEFT A DOOR OPEN TO MANUFACTURERS UNABLE TO MEET FLEET FUEL REQUIREMENTS (BY PERMITTING THEM TO PAY A PENALTY WHICH COULD BE VIEWED AS A TAX), THEY WERE CONCERNED THAT THIS LOOPHOLE WOULD EVENTUALLY BE CLOSED THUS FORCING DAIMLER BENZ OUT OF THE U.S. MARKET.

3. PROFESSOR ZAHN SAID THAT DAIMLER BENZ PLANS NO IMMEDIATE RESPONSE TO BERGOLD'S LETTER. THEY WILL REVIEW THE PROBLEM AND PROBABLY REVERT TO THE U.S. GOVERNMENT WITH MORE SPECIFIC REQUESTS FOR RELIEF. THEY WILL CONTINUE THE POLICY OF STAGGERING REDESIGN OF MODEL LINES SO THAT DAIMLER BENZ WILL HAVE A COMPLETELY NEW MODEL EVERY THREE YEARS, THUS IMPROVING THEIR ABILITY TO MEET U.S. REQUIREMENTS. DAIMLER BENZ ALSO PLANS TO ASK THE WEST GERMAN GOVERNMENT TO MAKE REPRESENTATIONS ON ITS BEHALF. THE COMPANY HAS ALREADY CONTACTED THE DEPARTMENTS OF TRANSPORTATION AND ENERGY AS WELL AS THE NATIONAL HIGHWAY SAFETY ADMINISTRATION AND THE ENVIRONMENTAL PROTECTION AGENCY. IT WILL CONTINUE DISCUSSIONS WITH APPROPRIATE U.S. AGENCIES THROUGH ITS AMERICAN LEGAL ADVISOR, THROUGH OFFICES HERE, AND POSSIBLY THROUGH AMCONGEN STUTTGART. MEANWHILE DAIMLER BENZ WILL CONSIDER THE ALTERNATIVE OF BUILDING A SMALL CAR. PROFESSOR ZAHN APPEARED TO HAVE RECONCILED HIMSELF TO THE NECESSITY OF SUCH A DECISION, INDICATING THAT SUCH A CAR PROBABLY WOULD BE THE SIZE OF THE BMW WITH 37 MPG FOR DIESEL AND 28 MPG FOR GASOLINE MODELS. VON MANTEUFFEL EMPHASIZED THAT THE SMALL CAR WAS STILL UNDER DISCUSSION AND THAT PRODUCTION HAD NOT YET RECEIVED APPROVAL

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OF THE BOARD OF DIRECTORS. ZAHN INDICATED THAT HE WAS NOT INTERESTED IN PURSUING POSSIBILITY OF MERGER WITH A MANUFACTURER OF SMALLER CARS IN ORDER TO MEET U.S. REQUIREMENTS. ONE REASON FOR HIS HESITATION, HE SAID, WAS THAT MERGER WOULD REDUCE COMPETITION, AND THUS BE CONTRARY TO CURRENT AMERICAN AND GERMAN GOVERNMENT POLICY.

4. THE RATIONALE FOR DAIMLER BENZ' EXTRAORDINARY EFFORTS TO OBTAIN AN EXEMPTION FROM AMERICAN REQUIREMENTS LIES IN THEIR STAKE IN THE U.S. MARKET. ALTHOUGH ANNUAL SALES TO THE U.S. OF ABOUT 50,000 CARS IS ONLY TWELVE PERCENT OF TOTAL PRODUCTION, THE U.S. IS THEIR BEST MARKET FOR THE MORE PRESTIGIOUS MODELS. ZAHN SAID THAT DAIMLER BENZ DOES NOT WANT TO RELY TOO HEAVILY ON THE DIESEL. THEY COULD PRODUCE MORE DIESEL-ENGINED VEHICLES BUT THERE MAY BE A LIMIT TO WHAT THE U.S. MARKET WOULD ACCEPT. DIESELS ALREADY CONSTITUTE 54 PERCENT OF SALES IN THE U.S. AND WOULD HAVE TO BE INCREASED TO ABOUT 75 PERCENT TO MEET FUTURE FLEET EFFICIENCY REQUIREMENTS. THIS WOULD MAKE DAIMLER BENZ FAR TOO DEPENDENT ON A TYPE OF MOTOR THAT COULD CONCEIVABLY BE BANNED ON ENVIRONMENTAL OR HEALTH GROUNDS.

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